



United States Department of Agriculture
Rural Development

Rural Business—Cooperative Service • Rural Housing Service • Rural Utilities Service
Washington, DC 20250

December 20, 2002

TO: All Telecommunications Borrowers
All Public Accounting Firms

FROM: KENNETH M. ACKERMAN *Kenneth M. Ackerman*
Assistant Administrator
Program Accounting and regulatory Analysis

SUBJECT: RUS Treatment of Part 32 Accounting Changes

In a Report and Order ¹ released November 5, 2001, the Federal Communications Commission (FCC) adopted a number of accounting and reporting requirement reforms including the creation of several new Part 32 Uniform System of Accounts (USoA) subaccounts, and the elimination or modification of other Part 32 accounts and subaccounts, and modifications of ARMIS reporting requirements. These changes are scheduled to take effect January 1, 2003.

In response to concerns expressed by state regulators and other parties about the FCC Part 32 changes, the FCC convened the Federal-State Joint Conference on Accounting Issues on September 5, 2002. This Joint Conference is undertaking "a cooperative federal and state review of regulatory accounting and reporting requirements in order to determine their adequacy and effectiveness in the current market and make recommendations for improvements." Members of the Joint Conference identified two Part 32 accounting changes that they believed should be subject to further consideration before they were implemented.

¹ 2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2; Amendments to the Uniform System of Accounts for Interconnection; Jurisdictional Separations Reform and Referral to the Federal-State Joint Board; and Local Competition and Broadband Reporting, CC Docket Nos. 00-199, 97-212, 80-286, and 99-301, Report and Order and Further Notice of Proposed Rulemaking, 16 FCC Rcd 19911 (2001) (Phase 2 Report and Order), on recon., 2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers, CC Docket No. 00-199, Order on Reconsideration, 17 FCC Rcd 4766 (2002) (Phase 2 Reconsideration Order).

On November 12, 2002 the FCC suspended the implementation of four accounting and recordkeeping rule modifications² previously adopted in the Report and Order released November 5, 2001. The suspension allows the recently-established Federal-State Joint Conference on Account Issues to review these rules before carriers are required to implement them.

The Rural Utilities Service (RUS) is evaluating all Part 32³ changes to determine their relevance and applicability to our borrowers. RUS requires sufficient detail in the accounting records of its borrowers to meet our financial information needs. However, RUS believes that the recordkeeping should not be burdensome and unduly refined. RUS has historically relied on the USoA prescribed by the FCC, with modifications. Changes made by the FCC to Part 32 will directly affect RUS borrowers. RUS is currently revising 7 CFR Part 1770, Accounting Requirements for RUS Telecommunications Borrowers, and may not adopt some of the changes being prescribed by the FCC. Therefore, until RUS issues its revised accounting requirements, we request that our borrowers not adopt any of the FCC Part 32 changes scheduled to take effect January 1, 2003.

This letter serves to postpone implementation of all Part 32 changes, until June 30, 2003, pending further review by RUS. The notification to postpone implementation of Part 32 changes and any other questions regarding the accounting and recordkeeping requirements should be addressed to the Technical Accounting and Auditing Staff, Mail Stop 1523, 1400 Independence Avenue SW, Washington, D.C. 20250-1523.

###

² The FCC deferred implementation of the following accounting and reporting requirement rule changes for six months (until July 1, 2003): (1) the consolidation of Accounts 6621 through 6623 into Account 6620, with subaccounts for wholesale and retail; (2) the consolidation of Account 5230, Directory revenue, into Account 5200, Miscellaneous revenue; (3) the consolidation of the depreciation and amortization expense accounts (Accounts 6561 through 6565) into Account 6562, Depreciation and amortization expense, and; (4) the revised "Loop Sheath Kilometers" data collection in Table II of ARMIS Report 43-07.

³ The Report and Order released November 5, 2001 adopted changes in the following parts: (1) Part 32, Uniform System of Accounts, (2) Part 43, Reports of Communication Common Carriers and Affiliates, (3) Part 51, Interconnection, (4) Part 54, Universal Service, (5) Part 64, Miscellaneous Rules, (6) Part 65, Interstate Rate of Return Prescription Procedures and Methodologies, and (7) Part 69, Access Charges.